

October 27, 2022

Clix Capital Services Private Limited: Rating confirmed as final for PTCs backed by merchant loan receivables issued by by Nimbus 2022 ML Benn

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 ML Benn	Series A PTCs	29.97	[ICRA]AA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In September 2022, ICRA had assigned a Provisional [ICRA]AA(SO) rating to Series A PTCs issued by Nimbus 2022 ML Benntrust. The pass-through certificates (PTCs) are backed by a pool of Rs. 37.87-crore merchant loan receivables (underlying pool principal of Rs. 33.30 crore) originated by Clix Capital Services Private Limited (Clix). Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the September 2022 payouts is shown in the table below:

Parameter	Nimbus 2022 ML Benn
Months post securitisation	1
Pool amortisation	28.76%
Series A PTC Amortisation	31.96%
Average monthly prepayment rate %	17.40%
Cumulative collection efficiency	99.21%
Loss cum 0+ dpd	7.56%
Loss cum 30+ dpd	0.00%
Loss cum 90+ dpd	NA
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Availability of CE in the form of over-collateralisation, EIS and CC
- Around 83% of the contracts in the pool have a bureau score of 750 and above at the time of onboarding

Credit challenges

- High delinquencies seen in the portfolio in the past; limited vintages, post underwriting revision undertaken after Covid-19 pandemic
- Pool's performance will remain exposed to any fresh disruptions caused by the pandemic

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payments to Series A PTCs at the predetermined interest rate on the principal outstanding. The principal repayment to Series A PTCs is promised on the last payout date (March 2024). The collections from the pool, after making the promised interest payouts to Series A PTCs, will be used to make the expected principal payouts to Series A PTCs, though this is not promised and any shortfall in making the same would be carried forward to the subsequent payout. Any surplus EIS after meeting the promised payouts would flow back to the originator.

Also, in the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the CC to meet the same. Further, in case of excess collections in a month – after meeting the promised PTC payouts – the same would first be used to top up the CC to the extent of past utilisation.

The first line of support for Series A PTCs in the transaction is in the form of over-collateralisation of 10.0% of the pool principal. The EIS (10.65% of initial pool principal) available in the structure and a CC of 10.0% of the initial pool principal (i.e. Rs. 3.33 crore) provided by Clix acts as further CE in the transaction.

The current pool consists of receivables from Clix's merchant loans under its lending programme with the partner. There were no overdues in the pool as on the cut-off date. The pool has low obligor concentration with the top 10 borrowers having a share of 1.25%. The contracts in the pool have low seasoning with a weighted average seasoning of ~5 months. The company had reported high delinquencies for this asset class during the early stages of the product, though there was an improvement in the second half of the previous fiscal under the tighter lending regime. The asset quality, however, remains moderate while the portfolio seasoning remains limited. Also, the performance of the pool would remain exposed to any fresh disruptions caused by the pandemic.

Past rated pools: ICRA has ratings outstanding on eight PTC transactions of Clix's merchant loan portfolio. One of these pools has a replenishment structure with the pool amortisation yet to commence. The performance of the remaining pools (which have completed atleast two payouts) has been satisfactory with a cumulative collection efficiency of more than 97% with nil CC utilisation and nil 180+ days past due (dpd).

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a lognormal distribution. The mean and the coefficient of variation (CoV) are calibrated on the basis of the values observed in the analysis of the past performance of Clix's merchant loan portfolio. ICRA has also factored in Clix's credit quality experience and ICRA's expectation of the credit quality of the merchant loan portfolio. Overall, Clix's merchant loan target borrower segment could be financially vulnerable as well as subject to various seasonality factors.

The resulting collections from the pool – after incorporating the impact of losses and prepayments – are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction. Various possible scenarios are simulated and the incidences of default to the investor as well as the extent of losses are measured. These are then compared with ICRA's internal benchmarks for the target rating.

For the transaction, after adjusting for key features like ticket size, bureau score, original tenure, seasoning and risk decile separately in the pool, ICRA estimates the shortfall in the pool principal collection within the pool's tenure at 5.5-6.5%, with certain variability around it. The prepayment rate for the underlying pool is estimated at 3.0-4.5% per annum.

Liquidity position: Strong

As per the transaction structure, only the interest amount is promised to the Series A PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the Series A PTC investors.

Rating sensitivities

Positive factors – The rating could be upgraded on the strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future PTC payouts from the CE.

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and CE utilisation levels.

Analytical approach

The rating action is based on the Trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

Clix Capital Services Private Limited (Clix) is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). It provides retail financing products (personal loans, business loans, micro, small and medium enterprise (MSME), housing finance, etc). The company, which was incorporated as GE Money Financial Services Pvt Ltd (GE Money) in 1994, formed the non-banking business of the General Electric (GE) Group along with its Group company – GE Capital Services India (GE Capital). In September 2016, this business was acquired by a consortium, comprising AION Capital Partners, Mr. Pramod Bhasin and Mr. Anil Chawla, and rebranded as Clix¹. In April 2022, Clix Finance India Private Limited (CFIPL; erstwhile GE Capital) was merged with Clix. Following the merger, Clix's portfolio comprises MSME and consumer lending along with healthcare and equipment finance and digital lending (onboarded from CFIPL). Additionally, Clix Housing Finance Private Limited, a wholly-owned subsidiary of Clix, primarily provides housing/mortgage finance products.

Key financial indicators

	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023 (Provisional)
Total Income	494.76	663.5	325.08
Profit after Tax	3.97	-93.91	10.07
Total Managed Assets	3,027	3,560	3,904
Gross NPA%	3.59%	4.95%	2.90%
Net NPA%	1.46%	1.42%	1.31%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; FY2022 onwards data pertains to merged entity

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹GE Money was rechristened Clix Capital Services Limited while GE Capital was rechristened Clix Finance India Private Limited

Rating history for past three years

	Trust Name	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					October 27, 2022	September 8, 2022			
1	Nimbus 2022 ML Benn	Series A PTCs	29.97	29.97	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A PTCs	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate [^]	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Nimbus 2022 ML Benn	Series A PTC	September 2022	9.25%	March 2024*	29.97	[ICRA]AA(SO)

[^]p.a.p.m.; * Scheduled PTC maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Samriddhi Chowdhary

+91 22 6114 3462

samriddhi.chowdhary@icraindia.com

Sohil Mehta

+91 22 6114 3449

sohil.mehta@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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